

**Agency: Commerce, Community and Economic Development****Grants to Municipalities (AS 37.05.315)****Grant Recipient: Anchorage****Project Title:****Project Type:** New Construction and Land Acquisition**Anchorage - Port of Anchorage Expansion****State Funding Requested:** \$20,000,000**House District:** Anchorage Areawide (17-32)

One-Time Need

**Brief Project Description:**

The Port of Anchorage is seeking a \$120 million capital grant to fund approximately 20% of the total port expansion project cost.

**Funding Plan:****Total Cost of Project:** \$700,000,000*There is no other funding needed**Explanation of Other Funds:*

*By project's end, it is anticipated that the total federal cost share will be 52%, with a 48% local match.*

**Detailed Project Description and Justification:**

The Port of Anchorage is seeking a \$120 million capital grant. This request is in lieu of asking for \$20 million per year for the next 6 years. This grant will bring the State's total financial participation in this project to \$160 million, or 25% of the total project cost.

The Port has instituted a multi-year program of capital improvements and is securing funding through federal, state, and local (Port) financial resources. By project's end, it is anticipated that the total federal cost share will be 52%, with a 48% local match. The local match is anticipated to be a combination of state grants, Port profits, and Port revenue bond proceeds. The total project budget is expected to be \$700 million. This replacement and expansion to the Port not only positively impacts the 85% of the State serviced, but is critical to military support. More importantly, the Port is a key part of the state's infrastructure for gas line development.

The expansion project has three primary objectives:

- 1) accommodate existing customer requirements by keeping the Port open during construction
- 2) accommodate growth and demand for Port services and industrial land, especially with respect to new customers and new generation of vessels anticipated to call on the Port, and
- 3) stimulate economic development for the Municipality and region by providing modern marine terminal and ground transportation (road and rail) system improvements.

The Port expansion project is "shovel ready" now. All needed permits and designs are in place. Having these dollars now will allow the Port to accelerate completion by as much as two years, and will save \$39.5 million on the overall cost. The U.S. Department of Transportation Maritime Administration (MARAD) has been assigned as the Federal Lead Agency for Port development.

The Port of Anchorage serves 80 percent of Alaska's population and is the entry point for 90 percent of the consumer goods shipped to Alaska. One hundred percent of the jet fuel for Elmendorf Air Force Base and 80 percent of the fuel for Ted Stevens International Airport, enter through this Port. The Port is the major gateway for Alaska water-borne

commerce and is a vital element of the state's economy. It is one of 19 designated national strategic ports. In terms of economic impact, the Port generates more than \$750 million each year and more than 4.5 million tons cross its docks annually.

**Project Timeline:**

Multi-year

**Entity Responsible for the Ongoing Operation and Maintenance of this Project:**

Municipality of Anchorage - Port of Anchorage

**Grant Recipient Contact Information:**

Name: William Sheffield  
Address: 2000 Anchorage Port Rd  
Anchorage, AK 99501  
Phone Number: 343-6200  
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Has this project been through a public review process at the local level and is it a community priority? ☒ Yes ☐ No



HEADQUARTERS  
ALASKAN COMMAND (ALCOM)  
ELMENDORF AIR FORCE BASE, ALASKA 99506

Lieutenant General Dana T. Atkins  
Commander, Alaskan Command  
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The Honorable William J. Sheffield  
Director, Port of Anchorage  
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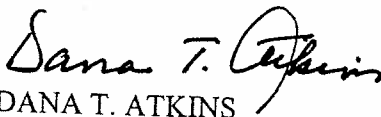
Dear Governor Sheffield

Thank you for the recent Port of Anchorage update you presented to the ALCOM staff. As you know, we [ALCOM] view this capital investment in the port very beneficial to our mission and requirement to receive and deploy combat forces stationed in Alaska. With recent changes in Army posture around the world, Alaska is now home to a stryker brigade, an airborne brigade, and an aviation task force, with the likelihood of even more forces being home-stationed here in the future. Our ability to project this power to combat theaters around the globe is heavily dependent upon sealift, so the Port of Anchorage remains absolutely critical to our success.

I concur with the Maritime Administration's decision to designate the Port of Anchorage as one of America's 19 National Strategic Ports in 2004, and I believe the Port of Anchorage must maintain that level of capability as long as we have these force levels assigned to Alaska. The Port's commitment under the Strategic Port program to provide at least 25 acres of ground within its facility during a deployment is a key enabler for the efficient staging and loading of our forces. Due to the high tempo of operations around the world, we have executed several large military movements through the Port recently, and I want to express my appreciation for the efforts that you, your staff, and the current Port tenants made to ensure the success of the operations. I have no doubt the Port of Anchorage will continue to provide superb support to the Department of Defense and its military forces in Alaska.

Finally, I appreciate your continued consideration of Alaskan military needs as you plan and execute your ongoing expansion project, and I look forward to continuing the partnership between the Port of Anchorage and Alaskan Command forces for many years to come.

Very respectfully,

  
DANA T. ATKINS

Lieutenant General, USAF  
Commander

*Guardian of the North*



**Port of Anchorage**

Bill Sheffield, Port Director  
Anchorage, Alaska

**PROJECT NAME: Port of Anchorage Replacement/Expansion (\$120,000,000)**

The Statewide critical transportation infrastructure program is funded 52% by the federal government, and 48% by the Port and the State of Alaska. Past requests for State funding have called for \$20 million from the State for 6 consecutive years; this request calls for an advance of \$120 million in funding to allow awards of necessary construction contracts. Awards cannot be made without funding in place. Full awards will ensure the program continues without disruption, employs thousands of workers in Alaska, and ensures the State has necessary infrastructure in place to support gas line construction.

**PROJECT IS READY-TO-GO**

Should the Port receive advanced funding from the State, the Port is in a position to immediately begin field construction of ready projects in 2009. In the recent 5 years, the project has been fully permitted and designed employing several teams of registered engineers, environmental and permitting professionals, project managers, scientists, surveyors, and inspectors. The USDOT Maritime Administration (lead federal agency) and all regulatory agencies are positioned to continue project construction through permit conditions.

Construction is well underway; \$210 million has been spent on the project to date. At the end of 2008, approximately 80 acres will have been developed north of the existing port and 15 acres south of the existing port (of 135 total additional acres programmed). The newly developed land will be the site of numerous projects, including the building of docking facilities and utilities necessary to support shipping operations. Two barge terminals are included, which will be the only publically owned barge docks in upper Cook Inlet. Receipt of the \$120 million State capital funding will ensure the Port completes surface work through 2010, allowing occupancy of this new ground and complete relocation of maritime operations to new docks with no disturbance in service to the State. Further, it will provide the ability to reduce overall project cost through accelerated ordering of project materials, and through timelier contract actions. The full project cost is currently estimated at \$700 million through 2014.

**\$65,000,000 – Construct Intermodal Transportation Connections**

Construction components:

- Track extension to the waterfront with loading facilities.
- Road systems and intersections, track crossings, truck queuing lanes.
- Ship mooring infrastructure.
- Crane structural supports and power supply.
- Trunk utility corridors and systems.
- Operational support systems and structures.

### **\$55,000,000 – Complete Cargo Handling Areas**

Construction components:

- Develop parking, staging, and cargo storage areas.
- Modify and extend underground power supply.
- Modify and extend water/sewer, communications, and security systems.
- Install overhead lighting and other support systems.

### **TOTAL REQUEST - \$120,000,000 (Labor and Materials)**

The Port of Anchorage replacement/expansion project is a long term endeavor that is fully permitted and ready to proceed immediately. We are in a unique position to accelerate our project and get payroll into the hands of workers tomorrow.

### **PROJECT WILL CREATE JOBS**

Over 3,000 to 7,500 direct and indirect jobs would be created, immediately, resulting in an estimated payroll of \$55 to \$60 million and an estimated \$220 to \$240 million in indirect economic impact to the nation. Payroll and labor records indicate 400-500 direct jobs are created at the project site each construction season, May through November. The project complies with Buy America; contracts are only open to American labor, suppliers, and materials.

The types of jobs created are very well paid, as salaries are Davis-Bacon prevailing wages, which is the highest of State and Federal prevailing wages at the time of the bid and are eligible for 1.5 times regular salary for any overtime. Even though all funds are administered by the federal government, the State of Alaska Department of Labor and Workforce Development has made final determination that AS 36, specifically AS 36.05 and AS 36.10 apply to all construction contracts awarded under this program. Notices of Work are filed routinely with the State, and 1% filing fees are submitted.

Many of these jobs will be year-round. While past years have required layoffs of construction workers at the end of each construction season due to subarctic temperatures, most of the remaining work will be out-of-water construction on the new 95 acres of developed land, as opposed to substructures in the water (already completed). The Port is in need of specialty trades which have the potential for immediate and year-round employment within the construction industry. Once this 95 acres are finished and ready for port occupancy, existing commercial crane operations will be relocated to this site to enable full demolition and future re-construction of the existing inefficient marine terminal area.

### **>3,000 Direct jobs per year:**

carpenters, framers	landscape contractors
civil construction workers	masons
concrete workers	painters, stripers
crane rail contractors	paving contractors
drafting/graphics personnel	pile drivers, iron workers
electricians and electrical line workers	pipefitters, plumbers
environmental monitors & compliance personnel	riggers
equipment operators	safety personnel
estimators	scientists
expeditors	signage contractors
fencing contractors	specialty track contractors
field surveyors & engineers	storm water control contractors

field, superintendents & project managers	suppliers
HVAC technicians	steel workers
inspectors	telecomm system workers
insulators	traffic control personnel
laboratory technicians	truckers
laborers	welders

### **PROJECT WILL STIMULATE ECONOMY**

A study found that Port's total economic impact is \$663 million using 2002 data. Freight activity at the Port contributed to \$137 million in household earnings and 4,142 jobs. The port facility itself contributed a further \$6.7 million to the labor income earned in Anchorage; and furthermore another 115 jobs were created as a result.<sup>1</sup> In addition to the five berths available, these figures are expected to increase significantly with the expansion project to increase the number of berths by eight more.

The project connects the Port to the Alaska Railroad, which is also an economic engine for the State of Alaska. The Alaska Railroad is projected to spend \$131 million in the Alaska economy in 2008, generating 2,036 jobs (full time equivalent) and \$105 million of payroll. Of this total, 979 jobs will be railroad employees and 1,107 will be in other parts of the economy. Each \$1 million decline in operations spending results in a loss of \$890,000 in payroll and 17 jobs from the economy. Each \$1 million decline in capital projects spending results in a loss of \$640,000 in payroll and 13 jobs from the economy.<sup>2</sup> The Port of Anchorage will also be a key player with the Alaska Railroad and the U.S. Army-Alaska as the Railroad completes the currently-funded rail extension from Fairbanks and Fort Wainwright across the Tanana River and into the Army's million-plus acre training ranges in Alaska's interior. As a result of recent Army posture changes, the growth in numbers of Army personnel assigned in the State, and the maturing of these training ranges into assets for the entire U.S. Army, the Port of Anchorage's ability to support the subsequent growth in military movements into and out of the State is essential to the overall success of this effort.

The Nation and the State of Alaska are moving closer to seeing a natural gas pipeline project that can deliver vast quantities of gas to America's heartland, become an economic reality. The gas line project will employ tens of thousands of people from all over the country. The expanded and modernized Port of Anchorage will be a vital node in the supply chain process that will support the gas line construction and maintenance; without the growth in available staging put into service and ready for occupancy with cranes, operational conflicts would exist. The Port of Anchorage is the only truly intermodal port facility in the State. It has road, rail, and maritime access, close proximity to the world's third largest cargo airport, and a large city with a diverse skilled labor force. The Port's expansion is designed to ensure that, when gas line construction begins, there will be both sufficient depth for deep draft vessels planned to deliver the necessary project supplies and equipment; and sufficient acreage for gas pipe laydown, immediate rail access for reduced handling, and sufficient industrial ground for module construction. Additionally, the Port is adding the first two public barge berths to be made available in Upper Cook Inlet. These barge berths will be located adjacent to the planned module construction area and the extended rail line.

<sup>1</sup> Prokop, Darren. "The Economic Impact and Logistics of the Port of Anchorage." Department of Logistics, College of Business and Public Policy, University of Alaska Anchorage.

<sup>2</sup> Goldsmith, Scott. (2008). Institute of Social and Economic Research, University of Alaska Anchorage.

Alaska, and specifically the Port, is a key driver in the Pacific Northwest economy. The economic relationship between Alaska and the Puget Sound area in Washington State – which is the nation's leading region in foreign export sales – is stronger than ever. The trading partnership between Alaska and Puget Sound, by way of the Port of Anchorage, is an economic asset for Puget Sound, especially as a stimulus that helps offset regional downturns, as over 46,000 jobs in Puget Sound companies are directly dependent upon export trade with Alaska. The growth in jobs from the Alaska-Puget Sound trade relationship between 1994 and 2003 is substantial – equal to attracting a 1,000 employee company to the region each year. By weight, 97 percent of all freight shipments between Puget Sound and Alaska are waterborne.<sup>3</sup> An expansion of the Port of Anchorage to handle even more cargo could make this growth even more rapid.

While Alaska's economy is dominated by natural resource extraction, Alaska is transforming into a service-based economy that needs specialized banking, accounting, legal, engineering, and management, educational and medical services. Seattle has long served as a key service supplier not only to Alaska but for much of the quadrant of the Lower 48 west of Minneapolis and north of San Francisco.<sup>4</sup> The Port expansion project envisions dock space for cruise ships. The Alaska cruise ship industry has enjoyed phenomenal growth in recent years. The number of cruise line passengers departing from Puget Sound for Alaska has risen from 14,000 in 1994 to 550,000 in 2004.<sup>5</sup> Petroleum remains a hub of the Alaska-Puget Sound economic relationship. In 2003, \$2.8 billion of Alaska crude oil came to Puget Sound refineries. Direct impact of this trade includes 1,990 jobs and \$144.5 million in labor earnings.<sup>6</sup>

The Port of Anchorage rehabilitation provides sufficient storage of fuel and fuel transfer facilities to better serve the energy needs of western Alaska. More efficient and larger container handling facilities with warehousing in Anchorage will provide greater trans-shipment efficiency to western Alaska and will improve delivery schedules and costs with increased activity year-round.

Port expansion would allow running international cargo through the Port of Anchorage, which could cut typical transit times from Asia to the Midwestern United States in half. It takes only six to 12 days for ships to sail from Anchorage to a variety of destinations within Japan and China, respectively. It takes 10-17 days to sail from Los Angeles to Japan and China.<sup>7</sup>

Upon completion, the port will be able to support the build up for a planned gas line and storage/shipment of construction materials for off-shore drilling and pipeline construction. The gas line in Alaska will enable the flow of American gas for energy consumption. ConocoPhillips Alaska estimates that 17,000 workers in the U.S. and 12,000 workers in Canada would be needed to build the gas pipeline to the Midwest.<sup>8</sup>

The Port of Anchorage has committed staging grounds to BP for 4,000 tons of steel pipe a year (for 2009 and 2010) to offload and stage materials critical to their operations in Alaska;

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<sup>3</sup> Ties That Bind: The Enduring Economic Impact of Alaska on the Puget Sound Region. (2004). Commissioned by the Tacoma-Pierce County Chamber and Greater Seattle Chambers of Commerce.

<sup>4</sup> Ibid.

<sup>5</sup> Ibid.

<sup>6</sup> Ibid.

<sup>7</sup> Poe, Robert (2004). "Port of Anchorage: The Logistical Choice." Anchorage Economic Development Council.

<sup>8</sup> Ties That Bind: The Enduring Economic Impact of Alaska on the Puget Sound Region. (2004). Commissioned by the Tacoma-Pierce County Chamber and Greater Seattle Chambers of Commerce

serviceable ground is critical to today's BP logistics and needs separated from commercial port operations. Future gasline logistics will certainly require much more dedicated ground.

### **PROJECT DETAILS**

The completed construction program will provide efficient ship-to-shore connections with a new rail line extension connecting the waterfront to Alaska's mainline railbelt, new roads with direct connections into the State's highway system, state-of-the-art cargo offloading and handling facilities, and deeper and wider berths to accommodate modern shipping vessels. This multi-year program replaces aged and deteriorating dock structures, which are functionally outdated and marginally safe, with new facilities capable of serving the commercial and military ships that call at this vital seaport. The existing dock structure is neither capable nor efficient enough for modern maritime intermodal operations.

The dock's 50-year-old cranes cannot reach required distances to serve modern vessels and must be replaced with three 100-foot gauge modern cranes to load and off-load cargo. The 9-acre trestle dock must be demolished by 2011 and replaced with a 135-acre offloading facility to accommodate berthing, intermodal ship-to-shore transfers, and adequate secured cargo storage – without disruption to critical Statewide cargo operations. Currently, \$4-5M is spent annually on under-dock repairs by the Port of Anchorage administration, while crucial surface operations and cargo transfers continue to remain inadequate.

The new facility is being constructed in phases to accommodate the shipping industry without impact to day-to-day intermodal transfer operations and continual service to 85% of the State; to coincide with the US Army Corps of Engineer's on-going annual harbor maintenance program to maintain shipping lanes at the Port; and to align with incremental funding and available cash flow. The funding plan calls for 52% federal funds with 48% of remaining funds at the local level (State and Municipal revenue bonds, Port revenues).

The USDOT Maritime Administration and regulatory agencies are positioned to continue project construction through permit conditions, previously established best management practices during construction, acoustic programs and data collection, sighting/reporting teams on-site, and mandatory shut-downs of certain activities when whales are observed near the project.

### **ABOUT THE PORT**

The Port of Anchorage serves 85% of the population within the State of Alaska providing 90% of their consumer goods, and is one of sixteen nationally designated commercial Strategic Ports with direct calls scheduled by the Department of Defense for critical deployments in-and-out of Alaska's military bases and training facilities (Ft. Greely, Eielson AFB, Ft. Wainwright, Ft. Richardson, and Elmendorf AFB) to Iraq and Afghanistan. The Port of Anchorage was inaugurated in the late 1950's with little build-up in the past fifty years, and is currently under-serving the State's transportation system as its primary hub.

The Port of Anchorage provides direct ties with the Stevens International Airport for competitive supplies of jet fuel and the sea-air movement of cargo. It also offers an active Foreign Trade Zone and is a designated customs port of entry to Alaska. It has been rated one of the most efficient container ports on the West Coast as far as location, and is the northernmost deep draft port in the United States. It is open for business with full services year-round.<sup>9</sup>

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<sup>9</sup> Poe, Robert (2004). "Port of Anchorage: The Logistical Choice." Anchorage Economic Development Council.



The Port of Anchorage began a federal, state, and municipal dock replacement/expansion program in 2003, with the USDOT Maritime Administration as the lead federal agency, to rehabilitate the port facility to accommodate larger ships and increased port calls by providing additional upland area and berthing capacity. This project was undertaken specifically by the government on our behalf to reduce transportation conflicts and traffic congestion and to improve intermodal transportation and commerce for the Municipality of Anchorage and State of Alaska. The USDOT Maritime Administration, the State of Alaska, and the Municipality of Anchorage are partners in this endeavor.

Attachments:

- Current project phasing plan.
- Map of Alaska indicating Statewide reliance on the Port of Anchorage.
- Nine minute video about the purpose/need of the project.